

DYNEGY INC /IL/
Form 11-K
June 30, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

Commission file number: 1-15659

Illinois Power Company
Incentive Savings Plan for
Employees Covered Under a Collective
Bargaining Agreement
(Full title of the plan)

Dynegy Inc.
1000 Louisiana
Suite 5800
Houston, Texas 77002

(Name of issuer of the securities held pursuant to the plan and the address of its principal executive office)

ILLINOIS POWER COMPANY
INCENTIVE SAVINGS PLAN FOR EMPLOYEES
COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

INDEX TO FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION,
DECEMBER 31, 2002 AND 2001

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INDEPENDENT AUDITORS REPORT

To the Dynegy Inc. Benefit Plans Committee for
the Illinois Power Company Incentive Savings Plan for Employees
Covered Under a Collective Bargaining Agreement

We have audited the accompanying statements of net assets available for benefits of Illinois Power Company Incentive Savings Plan for Employees Covered Under A Collective Bargaining Agreement (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Illinois Power Company Incentive Savings Plan for Employees Covered Under a Collective Bargaining Agreement as of December 31, 2002 and 2001, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the supplemental schedules of (1) assets (held at end of year), and (2) reportable transactions, together referred to as supplemental information , are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement

Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McConnell & Jones LLP

Houston, Texas

June 20, 2003

ILLINOIS POWER COMPANY
INCENTIVE SAVINGS PLAN FOR EMPLOYEES
COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|--|----------------------|-----------------------|
| ASSETS: | | |
| Investments: | | |
| Cash and temporary cash investments | \$ 203 | \$ 550,440 |
| Investments at fair value: | | |
| Plan interest in master trust | 11,360,552 | |
| Employer securities | | 40,445,244 |
| Registered investment companies | 39,846,382 | 55,469,032 |
| Common collective trust | 14,234,209 | 16,411,725 |
| Common stock | 581,977 | 1,283,998 |
| Preferred stock | 15,375 | |
| Participant loans | 3,045,517 | 3,220,382 |
| | <u>69,084,215</u> | <u>117,380,821</u> |
| Total investments | | |
| Receivables: | | |
| Dividends and interest receivable | | 810 |
| Due from broker for securities sold | 8,268 | |
| Employer contributions receivable | | 142,617 |
| | <u>8,268</u> | <u>143,427</u> |
| Total receivables | | |
| | <u>69,092,483</u> | <u>117,524,248</u> |
| TOTAL ASSETS | | |
| LIABILITIES: | | |
| Accrued expenses | | 85 |
| Due to broker for securities purchased | 44,001 | |
| | <u>44,001</u> | <u>85</u> |
| TOTAL LIABILITIES | | |
| | <u>\$ 69,048,482</u> | <u>\$ 117,524,163</u> |
| NET ASSETS AVAILABLE FOR BENEFITS | | |

The accompanying notes are an integral part of the financial statements

ILLINOIS POWER COMPANY
INCENTIVE SAVINGS PLAN FOR EMPLOYEES
COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|---|----------------------|-----------------------|
| ADDITIONS: | | |
| Additions to net assets attributed to: | | |
| Contributions: | | |
| Employee | \$ 6,114,802 | \$ 6,298,051 |
| Employer | 1,818,841 | 1,918,476 |
| | <u>7,933,643</u> | <u>8,216,527</u> |
| Total contributions | 7,933,643 | 8,216,527 |
| Investment income: | | |
| Dividend and interest income | 1,464,231 | 2,700,030 |
| Interest on participant loans | 269,037 | 303,300 |
| | <u>1,733,268</u> | <u>3,003,330</u> |
| Total investment income | 1,733,268 | 3,003,330 |
| TOTAL ADDITIONS | <u>9,666,911</u> | <u>11,219,857</u> |
| DEDUCTIONS: | | |
| Deductions from net assets attributed to: | | |
| Net depreciation in fair value of investments | 54,535,716 | 65,249,582 |
| Benefit payments | 3,314,032 | 11,825,965 |
| Administrative expenses | 5,400 | 30,758 |
| | <u>57,855,148</u> | <u>77,106,305</u> |
| TOTAL DEDUCTIONS | <u>57,855,148</u> | <u>77,106,305</u> |
| DECREASE IN NET ASSETS BEFORE TRANSFERS | (48,188,237) | (65,886,448) |
| TRANSFERS, NET | (287,444) | |
| PLAN-TO-PLAN TRANSFERS, NET | | (2,389,381) |
| NET DECREASE | (48,475,681) | (68,275,829) |
| NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR | <u>117,524,163</u> | <u>185,799,992</u> |
| NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR | <u>\$ 69,048,482</u> | <u>\$ 117,524,163</u> |

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The accompanying notes are an integral part of the financial statements

ILLINOIS POWER COMPANY
INCENTIVE SAVINGS PLAN FOR EMPLOYEES
COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. DESCRIPTION OF PLAN

The following description of the Illinois Power Company Incentive Savings Plan for Employees Covered Under a Collective Bargaining Agreement (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Illinois Power Company Incentive Savings Plan for Employees Covered Under a Collective Bargaining Agreement is sponsored and administered by Dynegy Inc. (the Company) for certain eligible employees of Illinois Power Company (IP) and Dynegy Midwest Generation, Inc. (DMG; IP and DMG are each referred to herein as the Employer). The Dynegy Inc. Benefit Plans Committee serves as the Plan Administrator for the Plan. The Plan became effective as of January 1, 1987. Assets of the Plan are held and managed by a trustee. Effective January 1, 2002, Vanguard Fiduciary Trust Company (Vanguard or the Trustee) became trustee and custodian. The purpose of the Plan is to enable participants to invest a portion of their salaries in tax-deferred savings pursuant to Section 401(k) of the Internal Revenue Code (IRC) and to otherwise help participants prepare financially for their retirement. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) as amended.

Participation

All employees of the Employer who are covered under a collective bargaining agreement are eligible to participate in the Plan other than (a) certain nonresident aliens, (b) leased employees, (c) employees who have waived participation in the Plan, and (d) individuals who are deemed to be employees only under certain Department of the Treasury regulations. Although participation in the Plan commences immediately upon employment as an eligible employee, a participant's election to make before-tax and/or after-tax contributions to the Plan is voluntary. Active participation ceases upon termination of employment with the Employer. Former employees can choose to liquidate their accounts or to leave them in the Plan, except that an automatic lump sum distribution will be made upon termination of employment if the participant's aggregate account balance (excluding the portion thereof attributable to rollover contributions) is

not in excess of \$5,000. Earnings will continue to accrue on undistributed accounts. All accounts, whether for active or former employees, are fully vested.

Plan Changes and Amendments

Effective January 1, 2002, the Plan was amended and restated. The Plan also changed recordkeepers and trustees from Fidelity Management Trust Company to Vanguard. As a result, the investment options offered to the Plan's participants changed. In order to facilitate this transition, it was necessary to impose a Quiet Period as adopted in an amendment dated November 30, 2001. The Quiet Period commenced on December 20, 2001 (November 30, 2001 for hardship withdrawals) and ended on January 18, 2002. During this period, requests for, and processing of, distributions, withdrawals, changes in participant contribution rates, and loans were temporarily suspended. In addition, participants were unable to change investment designations with respect to future or existing allocations.

Participant Accounts

Each participant's accounts are credited with the participant's contribution and allocations of the Employer's contribution and Plan earnings. For participants with loans, a loan administrative fee is charged to their account.

Contributions

Participants may make before-tax contributions by payroll deduction up to the legal dollar limit. Participants may also make after-tax contributions in cash or by payroll deduction. Total contributions are limited to the extent required by law. A participant may also roll-over into the Plan amounts previously invested in another retirement plan.

Participants have the option of investing their contributions in any or all of the investment funds in the proportions they choose. They may change their investment options or transfer amounts from fund to fund at any time.

The Employer contributes a monthly match to the Plan equal to 50% of the participant's monthly before-tax contributions that are not in excess of 6% of the participant's compensation for the month. In addition, for each calendar year the Employer makes a true-up matching contribution on behalf of each participant who was an eligible employee on the last day of the year. The true-up matching contribution equals the difference, if any, between (a) 50% of the before-tax contributions made during the year by the eligible participant that were not in excess of 6% of his or her compensation for the year and (b) the aggregate amount of monthly matching contributions made on behalf of such eligible participant during the year. All Employer matching contributions are made in shares of Dynegy common stock and are contained in the Dynegy Stock Fund (the Dynegy Stock Fund) in the Master Trust. Dividends on stock held in the Dynegy

Stock Fund are also invested in the Dynegy Stock Fund. See Notes 4 and 6 for more information.

In addition, the Employer may make a discretionary contribution for a calendar year that is allocated based on compensation to (a) participants who are eligible employees on the last day of the year and (b) participants who terminated employment during the year on or after attaining age 65 or by reason of death or disability. The discretionary contribution is made in shares of Dynegy common stock which are initially held in the Dynegy Stock Fund. Dividends earned on these shares are also invested in the Dynegy Stock Fund. No contributions were made under this arrangement for plan years 2002 and 2001.

Vesting

Participants have an immediate 100% vested and nonforfeitable interest in the employee and Employer contributions plus actual earnings thereon.

ESOP

In October 1990, the Plan was amended to provide for the implementation of an Employee Stock Ownership Plan (ESOP) arrangement. Under this arrangement, a predecessor to the Company, pursuant to authorization granted by the Illinois Commerce Commission (ICC), loaned \$35 million to the trustee of the ESOP in January 1991. The loan proceeds were used to purchase 952,397 shares of Illinova Corporation common stock on the open market. The shares (which were converted into shares of Dynegy in connection with the February 1, 2000, combination of Illinova Corporation and Dynegy) were allocated to the accounts of eligible participating employees as they were earned through the match or incentive compensation features of the Plan. The loan was paid-off during 2000 and the remaining unallocated shares were allocated to eligible employees during 2001. Total shares allocated to bargaining unit employees for matching contributions and company incentive contributions totaled 550,181 and 402,216 as of December 31, 2001, respectively. The Plan continues to have an ESOP feature, but there is currently no Dynegy stock that has been acquired with the proceeds of a currently outstanding loan.

Distributions

Distributions as provided for in the Plan are made to Plan participants or their beneficiaries upon the participant's termination of employment or death. Distributions must begin by April 1st of the calendar year following the later of the calendar year in which the employee reaches age 70 1/2 or the calendar year in which the employee retires. All distributions are made in the form of cash and/or Dynegy common stock.

Forfeitures

Each participant is responsible for supplying the Company with a current address. In the case of a benefit payable on behalf of a participant, if the Plan Administrator is unable to locate the participant or beneficiary to whom such benefit is payable, upon the Plan Administrator's determination thereof, such benefit shall be deemed a forfeiture and shall be used to reduce matching contributions and/or to pay Plan administrative expenses.

During plan year 2002, employer contributions were reduced by \$77,783 from forfeited accounts.

Loans

The Plan allows participants to borrow from their Plan accounts an amount not to exceed the lesser of \$50,000 (reduced by the excess of the highest outstanding balance of loans during the one-year period before the date the loan is made over the outstanding balance of loans on the date the loan is made) or 50% of the vested account balance (other than the portion of such account balance that is invested under the directed brokerage investment fund option). Interest is charged on these loans at a rate commensurate with interest rates charged by persons in the business of lending money for similar type loans. For 2002, the interest rate ranged from 5.25% to 10.50%. The rate for 2001 ranged from 7.75% to 10.50%.

All loans made will mature and be payable in full no earlier than one year and no later than five years from the date of the loan. An exception exists when the loan is used by the participant to acquire his or her principal residence. In this case, the loan will mature and be payable in full no earlier than one year and no later than ten years from the date of the loan. Loan repayments are made by payroll deductions authorized by the participant while the participant remains employed by the Employer or an affiliate. After termination of employment and before receiving a distribution from the Plan, a participant may continue to make loan payments directly to the Trustee. Interest paid on the loan is credited to the participant's account. The Trustee maintains a Loan Fund to hold the balances of participants' loans.

Plan-to-Plan Transfers

Amounts are transferred to or from the Illinois Power Company Incentive Savings Plan as participants shift out of or into positions covered by a collective bargaining agreement. These transfers are shown on the Statement of Changes in Net Assets Available for Benefits as plan-to-plan transfers.

Plan Termination

Subject to certain limitations, the right to amend, modify or terminate the Plan is reserved by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Plan financial statements are prepared on the accrual basis of accounting.

Investments

Participant loans included in the loan fund are valued at cost, which approximates fair value. Other investments are stated at fair value based on the latest quoted market price. Shares of mutual funds are valued at the net asset value of shares held by the Plan at the year end.

The investments held in the Master Trust are stated at fair value as determined by the Trustee based on the latest quoted market values of the underlying securities. Securities for which no quoted market value is available are valued at fair value as determined in good faith by or under the direction of the Trustee. The Trustee determines the Plan's interest in the market value of the Master Trust's net assets in accordance with a computational method agreed upon between the Plan Administrator and the Trustee. The Dynegy Stock Fund and the Stable Value Fund, however, are identified with each plan on an actual basis. At December 31, 2002 the Plan's interest in the Master Trust was approximately 26.4%.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the Statement of Net Assets Available for Benefits.

Income

Net appreciation (depreciation) of investments is comprised of realized and unrealized gains and losses. Realized gains or losses represent the difference between proceeds received upon sale and the average cost of the investment. Unrealized gain or loss is the difference between market value and cost of investments retained in the Plan (at financial statement date). For the purpose of allocation to participants, the Dynegy Stock Fund is valued by the Plan at its unit price (comprised of market price plus uninvested cash position) on the date of allocation and current unit price is used at the time of distribution to participants resulting in a realized gain or loss and is reflected in the income from the Plan's investment in the Master Trust.

Investment income from the Plan's investment in the Master Trust consists of the Plan's proportionate share of the Master Trust's interest and dividend income and investment income from net appreciation (depreciation) in fair value of investments.

The Trustee records dividend income as of the ex-dividend date and accrues interest income as earned. Realized gains and losses on security sales are computed on an average cost basis. Purchases and sales of securities are recorded on a trade-date-basis.

Expenses

Most expenses incurred in the administration of the Plan and the trust are paid by the Employer. These expenses include fees and expenses of the Trustee, fund managers, consultants, auditors, and legal personnel.

Income Taxes

The Internal Revenue Service has determined and informed the Company by a letter dated August 29, 2002 that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan has not been amended since receiving the determination letter and the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

Distribution of Benefits

Distributions of benefits are recorded when paid.

Reclassification

Certain prior year balances have been reclassified to conform to current year presentation.

3. INVESTMENTS

Plan investments are received, invested and held by the Trustee. Individual investments that represent 5% or more of the Plan's net assets available for benefits include:

| Investments at fair value as determined by quoted market price | Fair value at December 31 | |
|---|----------------------------------|-------------|
| | 2002 | 2001 |
| Plan interest in Master Trust * | \$ 11,360,552 | \$ |
| Dynegy Common Stock * | | 40,445,244 |
| Fidelity Equity Income Fund | | 16,715,384 |
| Fidelity Independence Fund | | 26,001,685 |
| Fidelity Management Income Portfolio | | 13,381,697 |
| AFG Fundamental Investors Fund | 13,292,052 | |
| Vanguard Growth Equity Fund | 17,666,305 | |
| Vanguard Retirement Savings Trust | 14,234,209 | |

* Includes both participant-directed and non-participant directed amounts. See Note 6.

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$54,535,716 and \$65,249,582 during 2002 and 2001 as follows:

| | 2002 | 2001 |
|---------------------------------|----------------------|----------------------|
| Plan interest in Master Trust | \$ 40,165,880 | \$ |
| Employer Securities | | 50,186,045 |
| Registered Investment Companies | 14,369,836 | 15,063,537 |
| | \$ 54,535,716 | \$ 65,249,582 |

4. PARTICIPATION IN MASTER TRUST

Effective January 1, 2002, the Plan began participating in a master trust investment agreement, with the Illinois Power Company Incentive Savings Plan, Dynegy Inc. 401(k) Savings Plan and Extant Inc. 401(k) Plan.

The following information is presented for the Master Trust:

DYNEGY INC. MASTER TRUST

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2002

| | |
|--|----------------------|
| ASSETS: | |
| Cash and temporary cash investments | 859 |
| Investments at fair value: | |
| Employer securities | 14,877,915 |
| Registered investment companies | 28,121,323 |
| | <hr/> |
| Total investments | 43,000,097 |
| Receivables: | |
| Fund units receivable | 8,055 |
| | <hr/> |
| TOTAL ASSETS | 43,008,152 |
| | <hr/> |
| LIABILITIES: | |
| Accrued expenses | 5,859 |
| Fund units payable | 22,145 |
| | <hr/> |
| TOTAL LIABILITIES | 28,004 |
| | <hr/> |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 42,980,148 |
| | <hr/> |

Investment loss for the Master Trust is as follows:

| | |
|--|---------------------|
| | December 31, |
| | 2002 |
| | <hr/> |
| Investment income (loss): | |
| Depreciation in fair value of investments: | |
| Employer securities | \$ 147,237,890 |

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| | |
|---------------------------------|----------------|
| Registered investment companies | 5,213,753 |
| Total depreciation, net | 152,451,643 |
| Dividends and interest | 1,670,367 |
| Total investment loss, net | \$ 150,781,276 |

5. TRANSACTIONS WITH PARTIES-IN-INTEREST

Certain Plan investments are shares of mutual funds managed by Vanguard Fiduciary Trust Company. Vanguard Fiduciary Trust Company is the trustee as defined by the Plan and, therefore, these qualify as party-in-interest transactions. Fees paid during the year for legal, accounting, and other professional services rendered by parties-in-interest were based on customary and reasonable rates for such services.

6. NONPARTICIPANT-DIRECTED INVESTMENTS

All funds in the Plan are participant directed, with the exception that Employer matching and discretionary contributions are initially invested in the Dynegy Stock Fund. Participants may diversify the investment of Employer matching and discretionary contributions after such amounts are initially credited to their accounts. Information about the net assets available for benefits and the significant components of the changes in net assets available for benefit relating to the Dynegy Stock Fund is as follows:

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**DYNEGY STOCK FUND**

| | December 31, | |
|--|---------------------|----------------------|
| | 2002 | 2001 |
| ASSETS: | | |
| Investments: | | |
| Cash and temporary cash investments | \$ | \$ 357,810 |
| Investments at fair value | 3,497,615 | 40,445,244 |
| Total investments | 3,497,615 | 40,803,054 |
| Receivables: | | |
| Dividends and interest receivable | | 810 |
| Employer contributions receivable | | 142,617 |
| Total receivables | | 143,427 |
| TOTAL ASSETS | 3,497,615 | 40,946,481 |
| LIABILITIES: | | |
| Accrued expenses | | 85 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 3,497,615 | \$ 40,946,396 |

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

DYNEGY STOCK FUND

| | Year ended December 31 | |
|---|------------------------|----------------------|
| | 2002 | 2001 |
| ADDITIONS: | | |
| Additions to net assets attributed to: | | |
| Contributions: | | |
| Employee | \$ 396,277 | \$ 429,578 |
| Employer | 1,819,414 | 1,918,476 |
| Total contributions | 2,215,691 | 2,348,054 |
| Investment income: | | |
| Dividend and interest income | 223,433 | 516,804 |
| Other income | 45,790 | 32,136 |
| Total investment income | 269,223 | 548,940 |
| Loan repayments | 143,260 | 131,015 |
| TOTAL ADDITIONS | 2,628,174 | 3,028,009 |
| DEDUCTIONS: | | |
| Deductions from net assets attributed to: | | |
| Net depreciation in fair value of investments | 40,324,646 | 49,786,240 |
| Benefit payments | 607,358 | 4,329,682 |
| Loan withdrawals | 393,886 | 151,603 |
| Administrative expenses | 689 | 2,164 |
| TOTAL DEDUCTIONS | 41,326,579 | 54,269,689 |
| DECREASE IN NET ASSETS BEFORE TRANSFERS | (38,698,405) | (51,241,680) |
| PLAN-TO-PLAN TRANSFERS, NET | | (647,872) |
| FUND TO FUND TRANSFERS | 1,249,624 | 1,478,656 |
| NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR | 40,946,396 | 91,357,292 |
| NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR | \$ 3,497,615 | \$ 40,946,396 |

7. COMMITMENTS AND CONTINGENCIES

On July 24, 2002 the Plan Administrator received notification from the US Department of Labor (DOL), Employee Benefits Security Administration, of an investigation of the Plan under section 504 of the Employee Retirement Income Security Act of 1974 (ERISA). The investigation relates to the plan year ended December 31, 1998 and subsequent years, and is in progress as of the date of this report.

8. SUBSEQUENT EVENT

Subsequent to December 31, 2002, the per share market price of Dynegy Inc. common stock increased from \$1.18 as of December 31, 2002 to \$4.25 as of June 20, 2003. As of May 31, 2002, the fair value of the Plan's investments totaled \$88,637,484 including \$16,158,815 in the Dynegy Stock Fund.

ILLINOIS POWER COMPANY
INCENTIVE SAVINGS PLAN FOR EMPLOYEES
COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

EIN: 74-2928353 PN: 006

Schedule H, Line 4(i): Schedule of Assets (Held at End of Year)

As of December 31, 2002

| [a] | [b] | [c] | [d] | [e] |
|---|--|---|---------------|------------------|
| Party-in- interest | Identity of Issuer, Borrower, Lessor or Similar Party | Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
| * | Plan Interest in Master Trust | Master Trust | \$ 24,612,046 | \$ 11,360,552 |
| * | American Funds EuroPacific Growth | Registered Investment Company | ** | 1,565,426 |
| * | Janus Worldwide Fund | Registered Investment Company | ** | 90,083 |
| * | PIMCO Total Return Bond | Registered Investment Company | ** | 2,711,860 |
| * | AFG Fundamental Investors Fund | Registered Investment Company | ** | 13,292,052 |
| * | Vanguard Capital Opportunity | Registered Investment Company | ** | 1,243,882 |
| * | Vanguard Growth Equity Fund | Registered Investment Company | ** | 17,666,305 |
| * | Vanguard Total Stock Mkt Inv | Registered Investment Company | ** | 2,696,982 |
| * | Vanguard Retirement Savings Trust | Common/Collective Trust | ** | 14,234,209 |
| * | Loan Fund | Various maturities and interest rates ranging from 5.25%-10.50% | ** | 3,045,517 |
| Self-directed Brokerage Account: | | | | |
| * | Cash | Currency | ** | 203 |
| * | Empire Dist Elec Pfd Secs 8.5% Pfd | Preferred Stock | ** | 2,629 |
| * | General Mtrs Accep Corp Public Income | Preferred Stock | ** | 2,494 |
| * | Georgia Pwr Cap Tr Iv Pfd | Preferred Stock | ** | 2,599 |
| * | Health Care Ppty Invs Inv Pfd Ser B | Preferred Stock | ** | 5,080 |
| * | Partnerre Cap Tr I Gtd Pfd Secs | Preferred Stock | ** | 2,573 |
| * | 3Com Corp | Common Stock | ** | 231 |
| * | 8x8 Inc New Com | Common Stock | ** | 440 |
| * | Abraxas Pete Corp | Common Stock | ** | 2,632 |
| * | Act Mfg Inc | Common Stock | ** | 2 |
| * | Advanced Communications | Common Stock | ** | 8 |
| * | Agere Sys Inc Cl A | Common Stock | ** | 9 |
| * | Agere Sys Inc Cl B Com | Common Stock | ** | 245 |
| * | Alcoa Inc Com | Common Stock | ** | 1,279 |
| * | Anheuser-Busch Cos Inc | Common Stock | ** | 12,136 |
| * | Annaly Mtg Mgmt Inc Com | Common Stock | ** | 1,880 |
| * | AOL Time Warner Inc Com | Common Stock | ** | 2,620 |
| * | Applied Materials Inc | Common Stock | ** | 2,606 |
| * | Argosy Gaming Co Com | Common Stock | ** | 8,424 |

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| | | | | |
|---|----------------------------------|--------------|----|--------|
| * | Artemis Intl Solutions Corp Com | Common Stock | ** | 140 |
| * | AT&T Corp Com | Common Stock | ** | 366 |
| * | AT&T Wireless Svcs Inc Com | Common Stock | ** | 712 |
| * | Atlanta Sosnoff Cap Corp | Common Stock | ** | 2,735 |
| * | Atmel Corp | Common Stock | ** | 666 |
| * | Avaya Inc Com | Common Stock | ** | 91 |
| * | Bethlehem Steel Corp | Common Stock | ** | 55 |
| * | Broadcom Corp Cl A | Common Stock | ** | 347 |
| * | Broadvision Inc Com New | Common Stock | ** | 1,311 |
| * | Calpine Corp Com | Common Stock | ** | 12,104 |
| * | China Continental Inc | Common Stock | ** | 12 |
| * | China Xin Network Media Corp Com | Common Stock | ** | 225 |
| * | Cinergy Corp Income Prides | Common Stock | ** | 5,540 |
| * | Cisco Systems Inc | Common Stock | ** | 24,112 |
| * | Comcast Corp Cl A Com | Common Stock | ** | 518 |
| * | Copper Mtn Networks Inc Com New | Common Stock | ** | 456 |

ILLINOIS POWER COMPANY
INCENTIVE SAVINGS PLAN FOR EMPLOYEES
COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

EIN: 74-2928353 PN: 006

Schedule H, Line 4(i): Schedule of Assets (Held at End of Year)

As of December 31, 2002

(continued)

| [a] | [b] | [c] | [d] | [e] |
|-----------------------|---|--|------|------------------|
| Party-in- interest | Identity of Issuer, Borrower, Lessor or Similar Party | Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
| * | Corning Inc Com | Common Stock | ** | 20,522 |
| * | Cyber Mark Intl Corpcom | Common Stock | ** | 650 |
| * | Cygnus Inc | Common Stock | ** | 710 |
| * | Cypress Semiconductor Corp | Common Stock | ** | 572 |
| * | Dectron Internatinal Inc | Common Stock | ** | 850 |
| * | Diagnostic Prods Corp | Common Stock | ** | 4 |
| * | Disney Walt Company Holding Co | Common Stock | ** | 1,631 |
| * | Dollar Gen Corp | Common Stock | ** | 601 |
| * | Drexler Technology | Common Stock | ** | 1,308 |
| * | E Digital Corp Com | Common Stock | ** | 1,045 |
| * | Earthlink Inc Com | Common Stock | ** | 542 |
| * | Echelon Corp Oc Com | Common Stock | ** | 3,375 |
| * | Energy Partners Ltd Com | Common Stock | ** | 2,654 |
| * | Enron Corp | Common Stock | ** | 90 |
| * | Ericsson L M Tel Co Adr Cl B Sek 10 New | Common Stock | ** | 1,427 |
| * | Fonix Corp Del | Common Stock | ** | 220 |
| * | Frederick Brewing Cocom New | Common Stock | ** | 16 |
| * | Fresh Delmonte Produce | Common Stock | ** | 1,891 |
| * | Genaera Corp Com | Common Stock | ** | 812 |
| * | General Electric Co Com | Common Stock | ** | 9,878 |
| * | Genesis Microchip Inc Del Com | Common Stock | ** | 170 |
| * | Global Crossing Ltd Com | Common Stock | ** | 3 |
| * | Globalstar Telecommunications | Common Stock | ** | 10 |
| * | Globespanvirata Inc Com | Common Stock | ** | 6,459 |
| * | Gtc Biotherapeutics Inc Com | Common Stock | ** | 472 |
| * | Handspring Inc Com | Common Stock | ** | 95 |
| * | Harley-Davidson Inc | Common Stock | ** | 18,282 |
| * | Hyseq Inc Com | Common Stock | ** | 258 |
| * | Id Biomedical Corp | Common Stock | ** | 2,698 |
| * | Imagis Technologies Inc Com | Common Stock | ** | 940 |
| * | Imax Corp | Common Stock | ** | 20,389 |
| * | Infospace Inc Com New | Common Stock | ** | 1,262 |

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| | | | | |
|---|------------------------------------|--------------|----|--------|
| * | Inktomi Corp Com | Common Stock | ** | 640 |
| * | Intel Corp Com | Common Stock | ** | 1,719 |
| * | Interdigital Communications Corp | Common Stock | ** | 42,224 |
| * | Intl Rectifier Corp Del | Common Stock | ** | 923 |
| * | Intrusion Inc (Formerly Intrusion) | Common Stock | ** | 279 |
| * | Isco Intl Inc Com | Common Stock | ** | 32 |
| * | JDS Uniphase Corp | Common Stock | ** | 11,405 |
| * | Juniper Networks Inccom | Common Stock | ** | 3,565 |
| * | K Mart Corp | Common Stock | ** | 35 |
| * | Kemet Corp Com | Common Stock | ** | 874 |
| * | Kopin Corp | Common Stock | ** | 156 |
| * | Legato Systems Inc Com | Common Stock | ** | 500 |
| * | Legend Hldgs Ltd Sponsored Adr | Common Stock | ** | 333 |
| * | Loudeye Technologiesinc Com | Common Stock | ** | 155 |
| * | Lowe's Cos Inc | Common Stock | ** | 37,500 |
| * | Lucent Technologies Inc Com | Common Stock | ** | 844 |
| * | Macrochem Corp New Del | Common Stock | ** | 1,020 |
| * | Medtronic Inc | Common Stock | ** | 18,240 |

ILLINOIS POWER COMPANY
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COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

EIN: 74-2928353 PN: 006

Schedule H, Line 4(i): Schedule of Assets (Held at End of Year)

As of December 31, 2002

(continued)

| [a] | [b] | [c] | [d] | [e] |
|-----------------------|---|--|------|------------------|
| Party-in- interest | Identity of Issuer, Borrower, Lessor or Similar Party | Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
| * | Microsoft Corp | Common Stock | ** | 19,391 |
| * | Mirant Corp Com | Common Stock | ** | 374 |
| * | Modem Media Inc | Common Stock | ** | 520 |
| * | Monaco Coach Corp | Common Stock | ** | 2,896 |
| * | Motorola Inc | Common Stock | ** | 4,342 |
| * | Nasdaq 100 Shares | Common Stock | ** | 113,735 |
| * | Ness Energy Intl Inc | Common Stock | ** | 900 |
| * | Netsol Intl Inc Com | Common Stock | ** | 700 |
| * | Nokia Corp Sponsored Adr | Common Stock | ** | 5,239 |
| * | Nortel Networks Corpnew Com | Common Stock | ** | 167 |
| * | Openwave Sys Inc Com | Common Stock | ** | 2,000 |
| * | Oracle Corp Com | Common Stock | ** | 2,808 |
| * | Palm Inc Com New Com | Common Stock | ** | 675 |
| * | Paradigm Advanced Technologies Inc Com | Common Stock | ** | 74 |
| * | Pet Quarters Inc Com | Common Stock | ** | 3 |
| * | Pfizer Inc | Common Stock | ** | 91,055 |
| * | Plug Pwr Inc Com | Common Stock | ** | 135 |
| * | Qualcomm Inc | Common Stock | ** | 2,543 |
| * | Razorfish Inc Cl A New | Common Stock | ** | 5 |
| * | Rent-Way Inc | Common Stock | ** | 1,750 |
| * | Riverstone Networks Inc Com | Common Stock | ** | 636 |
| * | Samaritan Pharmaceuticals Com | Common Stock | ** | 160 |
| * | Service Corp Intl | Common Stock | ** | 1,328 |
| * | Serviceware Technologies Inc Com | Common Stock | ** | 930 |
| * | Stratasec Inc Com | Common Stock | ** | 90 |
| * | Sunbeam Corp Formerly Sunbeam | Common Stock | ** | 21 |
| * | Surebeam Corp Cl A | Common Stock | ** | 279 |
| * | Sykes Enterprises Inc Com | Common Stock | ** | 328 |
| * | Tellabs Inc Com | Common Stock | ** | 2,172 |
| * | Teraforce Technologycorp Com | Common Stock | ** | 2,813 |
| * | Theglobe Com Inc Com | Common Stock | ** | 27 |
| * | Tippingpoint Technologies Inc | Common Stock | ** | 1,881 |

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| | | | | |
|---|--|-------------------------------|----|---------|
| * | Titan Corp | Common Stock | ** | 1,040 |
| * | Tivo Inc Com | Common Stock | ** | 2,052 |
| * | Tut Sys Inc Com | Common Stock | ** | 125 |
| * | Tyco Intl Ltd New | Common Stock | ** | 1,712 |
| * | Valicert Inc Com | Common Stock | ** | 213 |
| * | Vertical Computer Sys Inc Com New | Common Stock | ** | 45 |
| * | Verticalnet Inc Com New | Common Stock | ** | 4 |
| * | Viscount Sys Inc Com | Common Stock | ** | 60 |
| * | Vodafone Group Plc New Spons Adr | Common Stock | ** | 797 |
| * | Wal Mart Stores Inc | Common Stock | ** | 10,102 |
| * | Washington Mutual Inc | Common Stock | ** | 3,453 |
| * | Worldcom Inc Ga New Mci Group Com | Common Stock | ** | 8 |
| * | Worldcom Inc Ga New Worldcom Group Com | Common Stock | ** | 209 |
| * | Alliance Institutional Reserves Prime | Registered Investment Company | ** | 168,172 |
| * | Aegis Value Fund | Registered Investment Company | ** | 16,103 |
| * | American Century Quantitative Equity Fun | Registered Investment Company | ** | 4,849 |
| * | Clipper Fund, Inc. | Registered Investment Company | ** | 13,407 |
| * | Fidelity Independence Fund | Registered Investment Company | ** | 24,093 |

ILLINOIS POWER COMPANY

INCENTIVE SAVINGS PLAN FOR EMPLOYEES

COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

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Schedule H, Line 4(i): Schedule of Assets (Held at End of Year)

As of December 31, 2002

(continued)

| [a] | [b] | [c] | [d] | [e] |
|-----------------------|---|--|------|------------------|
| Party-in- interest | Identity of Issuer, Borrower, Lessor or Similar Party | Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
| * | Fidelity Investment Trust: Fidelity Worl | Registered Investment Company | ** | 5,025 |
| * | Fidelity Mt. Vernon Street Trust: Fideli | Registered Investment Company | ** | 2,599 |
| * | Fidelity Mt. Vernon Street Trust: Fideli | Registered Investment Company | ** | 6,450 |
| * | Fidelity Securities Fund: Fidelity Divid | Registered Investment Company | ** | 24,166 |
| * | Fidelity Select Networking And | Registered Investment Company | ** | 2,657 |
| * | Fidelity Select Portfolios: Biotechnolog | Registered Investment Company | ** | 19,022 |
| * | Fidelity Select Portfolios: Computers Po | Registered Investment Company | ** | 4,662 |
| * | Fidelity Select Portfolios: Developing C | Registered Investment Company | ** | 6,915 |
| * | Fidelity Select Portfolios: Electronics | Registered Investment Company | ** | 16,757 |
| * | Fidelity Select Portfolios: Technology P | Registered Investment Company | ** | 10,152 |
| * | Fidelity Select Portfolios: Utilities Gr | Registered Investment Company | ** | 2,470 |
| * | Firsthand E-Commerce Fund | Registered Investment Company | ** | 35,484 |
| * | Grand Prix Fund Class A | Registered Investment Company | ** | 873 |
| * | Ing Worldwide Growth Fund Class A | Registered Investment Company | ** | 1,403 |
| * | Invesco Telecommunications Fund | Registered Investment Company | ** | 2,529 |
| * | Janus Enterprise Fund | Registered Investment Company | ** | 4,460 |
| * | Janus Investment Fund: Janus Global Life | Registered Investment Company | ** | 13,249 |
| * | Janus Investment Fund: Janus Mercury Fun | Registered Investment Company | ** | 7,785 |
| * | Janus Investment Fund: Janus Olympus Fun | Registered Investment Company | ** | 13,484 |
| * | Janus Investment Fund: Janus Twenty Fund | Registered Investment Company | ** | 20,939 |
| * | Longleaf Partners Funds Trust: Longleaf | Registered Investment Company | ** | 11,778 |
| * | Matthews International Funds: Matthews A | Registered Investment Company | ** | 14,066 |
| * | Oppenheimer Global Fund, Class A Shares | Registered Investment Company | ** | 1,834 |
| * | Putnam New Opportunities Fund | Registered Investment Company | ** | 1,526 |
| * | Putnam Otc & Emerging Growth Fd | Registered Investment Company | ** | 665 |
| * | Seligman _Comm & Information Fund | Registered Investment Company | ** | 1,772 |
| * | Strong Equity Funds, Inc.: Strong Enterp | Registered Investment Company | ** | 4,231 |
| * | Strong Equity Funds, Inc.: Strong Growth | Registered Investment Company | ** | 616 |
| * | The Pbhg Funds, Inc.: Pbhg Select Equity | Registered Investment Company | ** | 3,333 |
| * | The Pbhg Funds, Inc.: Pbhg Technology & | Registered Investment Company | ** | 2,470 |
| * | Ultra Bear Profund Investor Shares | Registered Investment Company | ** | 104 |
| * | Van Wagoner Funds, Inc.: Van Wagoner Pos | Registered Investment Company | ** | 455 |

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| | | | | |
|---|--|-------------------------------|----|---------------|
| * | Van Wagoner Funds, Inc.: Van Wagoner Tec | Registered Investment Company | ** | 407 |
| * | Vanguard Capital Opportunity Fund Invest | Registered Investment Company | ** | 63,444 |
| * | Vanguard Health Care Fund Investor Share | Registered Investment Company | ** | 22,475 |
| * | Vanguard Primecap Fund Investor Shares | Registered Investment Company | ** | 22,912 |
| Total assets held for investment purposes | | | | \$ 69,084,215 |

* A party-in-interest to the Plan

** Cost not required for participant directed investments

ILLINOIS POWER COMPANY
INCENTIVE SAVINGS PLAN FOR EMPLOYEES
COVERED UNDER A COLLECTIVE BARGAINING AGREEMENT

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Schedule H, Line 4(j): Schedule of Reportable Transactions

For the year ended December 31, 2002

| [a] | [b] | [c] | [d] | [g] | [h] | [i] |
|----------------------------|---|----------------|---------------|--------------------------|--|------------------------|
| Identity of Party Involved | Description of Asset (include interest rate and maturity in the case of a loan) | Purchase Price | Selling Price | Historical Cost of Asset | Current Value of Asset on Transaction Date | Historical Gain (Loss) |
| The Vanguard Group | * AFG Fundamental Investors Fund | \$ 19,096,868 | | | \$ 19,096,868 | |
| The Vanguard Group | * AFG Fundamental Investors Fund | | 2,420,976 | 2,741,223 | 2,420,976 | (320,247) |
| The Vanguard Group | * Vanguard Growth Equity Fund | 30,396,905 | | | 30,396,905 | |
| The Vanguard Group | * Vanguard Growth Equity Fund | | 3,763,785 | 4,688,245 | 3,763,785 | (924,460) |
| The Vanguard Group | * Vanguard Retirement Savings Trust | 14,366,014 | | | 14,366,014 | |
| The Vanguard Group | * Vanguard Retirement Savings Trust | | 131,805 | 131,805 | 131,805 | |
| The Vanguard Group | * Stable Value Fund | 17,327,066 | | | 17,327,066 | |
| The Vanguard Group | * Stable Value Fund | | 3,206,245 | 3,206,245 | 3,206,245 | |
| The Vanguard Group | * Strategic Mod Growth Fund | 5,960,095 | | | 5,960,095 | |
| The Vanguard Group | * Strategic Mod Growth Fund | | 931,199 | 1,017,489 | 931,199 | (86,290) |
| The Vanguard Group | * Dynegy Stock Fund | 22,915,336 | | | 22,915,336 | |
| The Vanguard Group | * Dynegy Stock Fund | | 3,307,038 | 4,854,032 | 3,307,038 | (1,546,994) |

* A party-in-interest to the Plan

Note: Items (e) and (f) are not applicable.

SIGNATURE

Illinois Power Company Incentive Savings Plan for Employees Covered Under a Collective Bargaining Agreement. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf of the undersigned hereunto duly authorized.

Illinois Power Company

Incentive Savings Plan

For Employees Covered Under a

Collective Bargaining Agreement

By: /s/ R. Blake Young

R. Blake Young

Designated Member - Dynegy Inc.

Benefit Plans Committee

Date: June 30, 2003